

INTERNAL AUDIT AGENCY

AUDIT COMMITTEES TRAINING

PRESENTATION 5:

CONTEMPORARY ISSUES IN PUBLIC SECTOR INTERNAL AUDIT PRACTICE

Internal Audit Agency
Integrity + Professionalism

Property of IAA. For Personal Use ONLY

This document is the exclusive property of the Internal Audit Agency for your personal use. It should not be used for commercial purpose without the expressed permission from the Internal Audit Agency

Objectives

This module is intended to sensitize participants on:

- Contemporary issues and trends in Public Sector Internal Audit Practice relevant to Audit Committees.
- The Role of Audit Committees in supporting the Public Sector Internal Audit function to achieve its mandate within the PFM system.

Presentation Outline

- The Internal Audit Agency and Its Functions
- Ensuring Compliance with PFM Act, Regulations & Standards:
 - Adoption of the IPPF
 - Compliance Checklist
 - Internal Audit Reporting Templates
 - DPAT Indicators
- Current Status of Public Sector Internal Audit Practice
- The Future of Public Sector Internal Audit Practice:
 - PFM Reform Strategy (2022-2027)
 - IAA Amendment Bill to restructure PSIA Function
 - Revised Audit Committee Guidelines
 - The IPPF Evolution

The Internal Audit Agency and Its Functions

- The Agency is mandated under section 3 of Act 658 to:
 - Set standards and procedures for the conduct of internal audit activities in the Covered Entities;
 - Adoption of IPPF for Public Sector Internal Audit Practice

Ensuring Compliance with PFM Act, Regulations and Standards

- Ensuring compliance with internal audit reporting requirements:
 - ✓ *(Section 16 (3)-(4) of the IAA Act, 2003 (Act 658);*
 - ✓ *Regulations 2 (f), 43 (4) of IAR, 2011 (L.I.1994);*
 - ✓ *Section 83 (6b), (7), (10); Regulations 221(2e) and 222 of PFMR, 2019 (L.I.2378).*
- Following up on internal audit reports and implementation of recommendations
 - ✓ *(Regulation 4 of IAR, 2011 (L.I.2378)*

CHECKLIST FOR COMPLYING WITH IAA REPORTING REQUIREMENTS

| No | TYPE OF REPORT | TIMELINE | RESPONSIBILITY | | | |
|----|---|--|---------------------------|--|---|-----------------------------|
| | | | Prepared by | Affirmed/ Approved by | Cover/ Transmittal Letter signed by | Submitted by |
| 1 | Internal Audit Charter | Reviewed after 4 years or when change in condition occur | Head of IAU | <ul style="list-style-type: none"> • PSO/ Head of Covered Entity • Audit Committee | <ul style="list-style-type: none"> • PSO/ Head of Covered Entity | Head of IAU |
| 2 | Annual Internal Audit Plan | 31 st January of the year to which the Plan relates | Head of IAU | <ul style="list-style-type: none"> • PSO/ Head of Covered Entity • Audit Committee | <ul style="list-style-type: none"> • PSO/ Head of Covered Entity | Head of IAU |
| 3 | Quarterly Internal Audit Report | One month after the end of the quarter | Head of IAU | N/A | Principal Spending Officer/ Head of Covered Entity | Head of IAU |
| 4 | Internal Audit Annual Performance Report | 31 st December of the year to which the report relates | Head of IAU | N/A | Principal Spending Officer/ Head of Covered Entity | Head of IAU |
| 5 | Annual Audit Committee Report | 30 th June of the year following the year to which the report relates | Audit Committee Secretary | <ul style="list-style-type: none"> • PSO/ Head of Covered Entity • Sector Minister • Audit Committee Sec. • AC Chairperson | Principal Spending Officer/ Head of Covered Entity | PSO/ Head of Covered Entity |

NOTE: That failure to comply with the PFM Act, the PFM Regulations and the Internal Audit Regulations as required attract sanctions under the offences and penalties sections of PFM Act, (Sections 96 – 98, Regulation 230 of the PFMR)

Ensuring Compliance with PFM Act, Regulations and Standards

- Internal Audit Reporting Templates/Checklists
 - Annual Risk-Based Internal Audit Plan
 - Quarterly Internal Audit Report
 - Annual Internal Audit Performance Report
 - Annual/Half-yearly Audit Committee Report
 - Management Action Plan
 - Internal Audit Charter
 - Status of Implementation of Audit Recommendations

Supporting MMDAs to Pass DPAT

- **DPAT Indicators**

- Compliance Indicators;
- Service Delivery Indicators; and
- Performance Indicators

Supporting MMDAs to Pass DPAT

Compliance Indicators

■ **Functionality of the IAU:**

- i. The Internal Audit Unit has submitted the **Annual Audit Work Plan** to the **MMDCD** and **Audit Committee** within 30 days after the beginning of the financial year; and
- ii. The Assembly has submitted Annual Audit Workplan to the IAA by 31st January of the financial year.
- iii. All planned audits have been conducted and reports submitted to the DCD, the Chair of the Audit Committee of the Assembly and IAA within thirty (30) days after the end of each quarter.

Supporting MMDAs to Pass DPAT

Functionality of the Audit Committee;

- i. The Audit Committee is duly constituted.
- ii. AC met at least **twice** during the year under review with **minutes of meeting duly signed by the Secretary and Chairperson;**
- iii. Management has submitted responses to both Internal Audit reports and Management Letter **within 10 working days** (Reg. 43:2 & 3 of the IAR, 2011 – Reg 1994) and **30 calendar days** (Sec 29, AS Act, 2000 – Act 584) respectively, and
- iv. Management have taken action on **all** audit recommendations.

Current Status of PSIA Practice

- **PSIA effectiveness affected by:**
 - Limitation of the Internal Audit Agency Act, 2003 (Act 658):
 - ✓ IAA only exercising technical oversight over PSIA practice without control of Public Sector Internal Auditors
 - ✓ Lack of Independence and Objectivity of PSIA
 - ✓ Inadequate Compliance by Public institutions
 - ✓ Internal Control weaknesses resulting in Irregularities
 - ✓ Non-establishment of ERM in most Institutions
 - ✓ RBIA not mainstreamed

Current Status of PSIA Practice

- **PSIA effectiveness affected by:**
 - Limited Logistics and Budget
 - Lack of funding for Audit Committee Activities
 - Inadequate competences and conditions of service of PSIAs
 - Delays in/or non-implementation of Audit recommendations
 - Appointment, Removal, Transfer and Reassignment of Heads of IAUs without complying with Regulation 220 of the PFMR, 2019 (L.I.2378)
 - Delays in Management Responses to audit recommendations to finalise the reports

The Way Forward of PSIA Practice

- **PFM Reform Strategy (2022-2026)**
 - Focus is on Control Predictability and Transparency in Budget Execution with the following Strategic objectives:
 - Improve and sustain domestic revenue mobilization
 - Enhance commitment control
 - Improve human resource and payroll management
 - Improve cash and asset management
 - Enhance procurement management and oversight
 - ***Enhance effectiveness and independence of the internal audit function***

The Way Forward of PSIA Practice

- **Enforcement of compliance by;**
 - ✓ Naming and Shaming, and
 - ✓ Withholding of budget allocations by Ministry of Finance
- Revision of Audit Committee Guidelines (Signed. Sensitization will follow soon).
- IAA Amendment Bill
- Operationalization of the Review Panel (Reg. 4(2c) of the IAR).
- The IPPF Evolution (IPPF to GIAS) – Input to Exposure Draft Required.
- Monthly Electronic Salary Payment Voucher Validation
- Internal Audit Awareness Week (27th March – 2nd April)
- 2023 Annual Internal Audit Conference
 - **THEME: Sustaining Economic Stability through Effective Public Financial Management in Ghana; the Role of Public Sector Internal Auditors**

This document is the exclusive property of the Internal Audit Agency for your personal use. It should not be used for commercial purpose without the expressed permission from the Internal Audit Agency

Thanka

YOU